



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper
Vijay Sammeta

SUBJECT: SEE BELOW

DATE: June 6, 2013

Approved

Date

6/6/13

SUBJECT: REPORT ON REQUEST FOR PROPOSAL FOR ENTERPRISE CLOUD STORAGE

RECOMMENDATION

Adopt a resolution authorizing the City Manager to execute various documents (described below) to purchase and install an Enterprise Cloud Storage Solution for a total not-to-exceed cost of \$508,906 including all hardware, software, cloud data storage and data transfer services, and six years of hardware and software maintenance and support:

- (a) Execute purchase orders and other necessary enrollment documents that may be required under the Microsoft Enterprise Agreement to purchase enterprise cloud data storage and data transfer capacity to support the City's requirements, at an initial annual cost of \$303,906, and an ongoing cost not to exceed \$58,476 per year, based on current estimates of the City's data storage requirements.
- (b) Execute a Standard Deployment Services Work Statement Agreement with Microsoft for all professional services and training required to implement the data storage solution.
- (c) Execute purchase orders with Xyratex (Fremont, CA) for the purchase of all hardware, software and six years of maintenance and support, not to exceed \$205,000.
- (d) Purchase additional data storage and data transfer capacity as may be required, at the same unit prices, subject to the appropriation of funds.
- (e) Approve a contingency of \$51,000 for hardware and professional services related to the installation and deployment of the system.

OUTCOME

To replace the City's aging Storage Area Network with a more cost effective and sustainable cloud solution that also addresses a portion of the City Auditor's Recommendations for back-up and data recovery in the IT General Controls Audit of 2012.

BACKGROUND

On June 17, 2008, Council approved the purchase and support of an on-site storage area network (SAN) in the amount of \$2,571,786, and ongoing maintenance with annual compensation ranging from \$221,283 in the first year, increasing annually with final annual compensation at \$378,144 in year five. The upcoming expiration of the SAN support agreement in 2013, aging equipment, changes in the marketplace, and the City's new robust infrastructure for internet connectivity presents an opportunity for the City to consider a new model for data storage.

The City's data storage needs have grown considerably as the organization moves from a text-based entity to one of digital pictures and videos. While the previous SAN purchases represented the best solution for the City at the time, cloud storage technology has emerged as the next generation of storage for critical data. Advancements leverage the existing network infrastructure, thus reducing costs, and minimize the complexity of management typically associated with traditional SANs. In addition, the current SAN has become expensive to augment and costly to maintain in relation to alternatives in the marketplace, making total cost of ownership a key consideration. Further, the current storage and back-up system uses antiquated tape technology, representing potential data security risks, as noted in the City Auditor's Report on IT General Controls published in January, 2012.

The proposed cloud storage solution will satisfy key recommendations that were noted in the above referenced City Auditor's report, and provide enhanced functionality as follows:

- Auto-archiving of infrequently accessed data to the cloud
- Automatic encryption/decryption of data to and from the cloud
- Easily expands to meet organizational demands for storage
- Simplifies IT administration
- Streamlines back-up, recovery, and disaster recovery for data

On May 7, 2013, Council approved the City's participation in the Microsoft Enterprise License Agreement for State and Local Governments (Enterprise Agreement), a cooperative agreement administered by the County of Riverside, California on behalf of State and Local public agencies, for the purchase of Microsoft software products. Participation in this agreement allows the City to purchase Microsoft data storage services as recommended above.

ANALYSIS

In 2012, the City released a Request for Proposal (RFP) for an Enterprise Cloud Storage Solution to convert from our current data storage platform utilizing a three tier architecture (primary storage, secondary/metro area disaster recovery storage, and business continuity of critical data) to an enterprise cloud storage platform to manage and streamline backup, restore and data recovery operations. Twenty-six companies downloaded the RFP and the following five companies submitted proposals:

- NWN Corporation (Gold River, CA)
- Reach IPS (Cupertino, CA)
- Stor Simple (Santa Clara, CA)
- Technology Integration Group (TIG) (Long Beach, CA)
- The Kotter Group (Liburn, GA)

Proposal Evaluation Process

The proposals were evaluated by a three member evaluation team from the Information Technology Department. Proposals were evaluated and scored for their technical solution (45%), Experience (20%), Cost (20%), Environmental Stewardship (5%), and Local and Small Business Preference (10%). In addition to a proposal review, three finalists receiving the highest scores were invited to participate in a Best and Final Offer Process to clarify any final technical issues or concerns, and confirm final pricing. Two firms did not proceed to this further proposal evaluation phase (NWN Corporation and Reach IPS).

None of the firms submitted a request for consideration for the City's Local and Small Business Preference. The finalist scores are summarized in the table below:

	Experience (20%)	Technical (45%)	EP3 (5%)	Cost (20%)	LBE/SBE (10%)	Total
TIG	14	23	4	20	0	61
Kotter	15	25	3	12	0	55
StorSimple	16	41	2	8	0	67

The RFP process included a ten day protest period. No protests were received.

StorSimple submitted their proposal teaming with Microsoft for their Azure product for all cloud data storage and transfer services, and Xyratex for all hardware and hardware maintenance and support. During the RFP process, Microsoft acquired StorSimple, and their business model has

since changed, making it necessary to execute various agreements and purchase documents as described above. The professional services agreement for the implementation of the system will now be directly with Microsoft, with StorSimple acting as Microsoft's subcontractor. Microsoft only sells their software products through Large Account Resellers (LAR's), so the City will purchase Microsoft's Azure products directly from a reseller as proposed in the StorSimple proposal. The hardware that StorSimple proposed will be purchased directly from Xyratex, the manufacturer of the hardware.

Although the acquisition of StorSimple by Microsoft now requires several agreements with two vendors as described in this memorandum, the same technical solution that was proposed by StorSimple is recommended for procurement at the same price as included in their proposal response. Staff is confident that issuing three separate agreements for the cloud data storage service, hardware and software, and professional services for the installation does not change the proposal in any way, or pose any increased risk or complexity to the project.

The agreements shall be for the initial purchase, installation, implementation, training, and maintenance and support services for a period of six years. Pricing shall be fixed for the entire six year period. For all implementation services, payments to the contractor shall be made upon the successful completion of milestones, with the final payment contingent on the City's final acceptance of the implementation.

Pricing for Microsoft's cloud data storage and transfer services shall be fixed per unit of data that is stored and transferred. After the initial year of the Agreement, prices are subject to negotiation. In addition, the City has the option to competitively bid data storage and transfer services annually between the Microsoft Large Account Resellers that are authorized to sell Microsoft products.

EVALUATION AND FOLLOW-UP

This memorandum will not require any follow-up from staff.

POLICY ALTERNATIVES

Alternative #1: Continue with the current SAN and back-up recovery system.

Pros: Staff is familiar with supporting the current system.

Cons: The current tape back-up system is antiquated and does not satisfy the City Auditor's recommendations regarding back-up and disaster recovery. Additionally, the support contract is currently at \$323,338 per year plus additional licensing and on-site support expenses. These costs have historically risen annually and will likely continue to increase.

Reason for Not Recommending: The current system is much more costly to maintain and support. In addition, the City will not meet requirements for data back-up and disaster recovery as recommended in the City Auditor's Report on IT General Controls. Further, replacing the

SAN with a "like" system is counter to the City's technology strategy of taking advantage of technology changes in the marketplace, moving from large, costly and inflexible systems to sustainable cloud solutions.

PUBLIC OUTREACH/INTEREST

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum does not meet the criteria above. This item will be posted on the Council Agenda for June 18, 2013.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office and the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

This action is consistent with the Strategic Initiative, "Make San José a Tech-Savvy City, lead the way in using technology to improve daily life" and the General Budget Principle, "We must focus on protecting our vital core City services for both the short and long term."

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: \$508,906

2. COST ELEMENTS OF AGREEMENT:

<u>Description</u>	<u>Initial Cost (12 months)</u>	<u>Cost per Year (years 2-6)</u>	<u>Total Maximum Cost for 6 Years</u>
Microsoft Azure (cloud data services)	\$303,906	\$58,476	\$596,286
Initial purchase and implementation services; annual maintenance and support	30,000	35,000	205,000
Contingency	51,000		51,000
Total	\$384,906	\$93,476	\$852,286

3. SOURCE OF FUNDING: General Fund (001)

4. FISCAL IMPACT: The total first-year acquisition costs are part of the 2012-2013 Adopted Operating Budget for Data Storage. The ongoing annual costs will be paid for with the existing ITD Non-Personal budget.

BUDGET REFERENCE

The table below identifies the fund and appropriations proposed to fund the contract recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn.	Amount of Contract	2012-13 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	0432	N/P Equipment – Information Technology	\$4,945,656	\$384,906	VIII-186	10/16/12, Ord. No. 29163

*Years two through six of the contract are subject to the appropriation of funds.

HONORABLE MAYOR AND CITY COUNCIL

June 6, 2013

Subject: Report on RFP for Enterprise Cloud Storage

Page 7

CEQA

Not a Project, File No. PP10-066(e), Services that involve no physical changes to the environment.

/s/

VIJAY SAMMETA
Chief Information Officer

/s/

JULIA H. COOPER
Director of Finance

For technical questions, please contact Vijay Sammeta, Chief Information Officer (408) 535-3566. For procurement questions, please contact Mark Giovannetti, Purchasing Division Manager (408) 535-7052.